

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 11083 01 OF 02 291232Z

41

ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

SCEM-02 INT-08 L-03 H-03 PA-03 PRS-01 USIA-15 FPC-01

RSR-01 /160 W

----- 083449

P 291040Z AUG 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6353

INFO AMEMBASSY JAKARTA PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 11083

E.O. 11652: GDS

TAGS: ENRG, JA, ID

SUBJECT: INDONESIAN LNG

REF: STATE 164627

SUMMARY: SOHEI NAKAYAMA, JAPANESE COORDINATOR FOR IN-
DONESIAN LNG PROJECT, TOLD ME AUGUST 29 THAT JAPAN DID
NOT INTEND TO MONOPOLIZE ALL LNG FROM INDONESIA.
CONFUSION, NAKAYAMA SAID, CAUSED BY FACT THAT PRETAMINA HAD
SIGNED LETTER OF INTENT WITH PACIFIC LIGHTING AND FOREIGN
TRADE MIN RADIUS HAD CONCLUDED AGREEMENT WITH JAPAN, BUT
NEITHER HAD APPARENTLY TALKED TO THE OTHER. PERTAMINA
DIRECTOR SUTOWO NOW IN TOKYO AND RADIUS EXPECTED ARRIVE
TODAY ALSO. AFTER JAPANESE SURVEY TEAM VISITS INDONESIA,
NAKAYAMA SUGGESTED US AND JAPAN SHOULD SIT DOWN
TOGETHER AND DISCUSS APPORTIONMENT OF GAS AND
FINANCING ARRANGEMENTS. DESPITE FACT THAT NAKAYAMA'S
COMMENTS DIFFER FROM WHAT SEEMS TO BE PREVAILING POINT OF
VIEW IN TOKYO, I PLACE CONSIDERABLE STORE IN THEM.
NATURALLY, HOWEVER, WE WILL KEEP PRESSURE ON IN TOKYO RE
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PAGE 02 TOKYO 11083 01 OF 02 291232Z

US INTEREST IN GAS, TANKERS, AND LNG PLANT CONSTRUCTION

IN CONNECTION WITH THESE PROJECTS.END SUMMARY.

1. EMBASSY LEARNED AUGUST 27 THAT TOP LEVEL BUSINESS LEADERS WOULD MEET AFTERNOON AUGUST 29 TO DISCUSS PROBLEMS RELATED TO INDONESIAN LNG. ACCORDING TO SOURCE AT TOKYO GAS, MEETING WOULD BE CHAIRED BY COUNSELOR OF THE INDUSTRIAL BANK OF JAPAN SOHEI NAKAYAMA, IT WOULD INCLUDE KEIDANREN PRESIDENT UEMURA; TOKYO GAS CHAIRMAN ANZAI; TOKYO ELECTRIC PRESIDENT KIKAWADA; CHAIRMAN OF THE KEIDANREN ENERGY COMMITTEE, MATSUNE; DIRGEN OF MITI'S ENERGY AND RESOURCES AGENCY, YAMARVTA, AND PRESIDENTS OF OTHER MAJOR UTILITY COMPANIES OF JAPAN. IN VIEW OF THIS AND IN VIEW OF CONTINUING CONFLICTING REPORTS ON WHETHER JAPAN INTENDED TO PURCHASE ALL INDONESIAN LNG RESOURCES, IT INVITED NAKAYAMA TO LUNCHEON ON AUGUST 29.

2. IN SESSION WITH NAKAYAMA I NOTED VALUE OF COOPERATION IN ENERGY AREA BETWEEN OUR TWO COUNTRIES AND WE DISCUSSED WAYS OF PROMOTING CLOSER COORDINATION.I ALSO NOTED THAT PRESIDENT SUMITA OF JAPANESE EXIM BANK HAD RECENTLY BEEN IN WASHINGTON FOR DISCUSSIONS ON THE SIBERIAN DEVELOPMENT PROJECTS. I POINTED OUT THAT UNDER SECRETARY CASEY AND EXIM CHAIRMAN KEARNS HAD MENTIONED SUBJECT OF INDONESIAN LNG TO SUMITA, REFLECTING THE CONCERN IN WASHINGTON OVER UNCONFIRMED REPORTS THAT JAPANESE INTENDED TO MONOPOLIZE ALL AVAILABLE INDONESIAN NATURAL GAS.

3. NAKAYAMA REPLIED THAT INDONESIAN LNG IS A GOOD EXAMPLE OF NEED FOR COOPERATION IN ENERGY AREA BETWEEN JAPAN AND US. JAPAN, NAKAYAMA SAID, DID NOT INTEND TO MONOPOLIZE ALL OF INDONESIAN LNG OUTPUT. NAKAYAMA NOTED THAT PRESIDENT-DIRECTOR OF PERTAMINA, IBNU SUTOWO, HAD ARRIVED IN JAPAN ON AUGUST 27 AND IT CLEAR FROM DISCUSSIONS WITH HIM THAT HE BELIEVES GAS RESERVES IN INDONESIA SUFFICIENT TO SATISFY REQUIREMENTS OF BOTH US AND JAPAN. NAKAYAMA CONFIRMED THAT NEGOTIATIONS HAD TAKEN PLACE BETWEEN FORMER VICE MINISTER MOROZUMI AND INDONESIA FOREIGN TRADE MINISTER RADIUS ON LNG SUPPLIES. THE REAL

CONFIDENTIAL

PAGE 03 TOKYO 11083 01 OF 02 291232Z

QUESTIONS NOW,
ZKAYAMA SAID,WERE HOW TO APPORTION THE AVAILABLE GAS SUPPLIES AND HOW TO SHARE FINANCING --SUBJECTS WHICH SHOULD BE DISCUSSED BETWEEN US AND JAPAN. NAKAYAMA FURTHER NOTED THAT JAPAN PLANNED TO SEND A GOVERNMENT-PRIVATE STUDY TEAM TO INDONESIA, PROBABLY IN LATE SEPTEMBER AND THAT A REPORT ON THE EXTENT OF RESERVES AND POSSIBLE PRODUCTION WOULD BE AVAILABLE SOMETIME IN

OCTOBER.

4. AS TO LNG PLANT CONSTRUCTION, NAKAYAMA SAID HE UNDERSTOOD THAT TWO PLANTS WOULD BE BUILT: THE NORTH SUMATRA PLANT WOULD HAVE 4 LNG UNITS AND THE KALIMANTAN PLANT WOULD HAVE 2.

5. IN RESPONSE TO QUESTION AS TO WHEN DISCUSSIONS BETWEEN THE US AND JAPAN ON THIS PROJECT MIGHT BEGIN, NAKAYAMA SAID THAT THE BASIC PROBLEM IS THAT GOI IS IN A VERY CONFUSED STATE AT PRESENT. PERTAMINA HAD EXCHANGED LETTER OF INTENT WITH PACIFIC LIGHTING IN OCTOBER (SEE JAKARTA 10465) AND RADIUS HAD ENTERED INTO MEMORANDUM OF UNDERSTANDING WITH MOROZUMI. NEITHER SIDE, HOWEVER, HAD APPARENTLY TALKED TO THE OTHER. DIFFICULTY APPARENTLY STEMS FOR GOI'S ATTEMPT TO EXERT MORE CONTROL OVER PERTAMINA.

6. NAKAYAMA THEN SAID THAT, ACCORDING TO INFORMATION FROM THE INDONESIAN EMBASSY IN JAPAN, FOREIGN TRADE MINISTER RADIUS WOULD ARRIVE IN JAPAN EVENING AUGUST 29. I SUGGESTED THAT IT MIGHT BE VERY ILLUMATING TO GET THE TWO INDONESIAN OFFICIALS TOGETHER. NAKAYAMA SAID HE INTENDED TO HOLD DISCUSSIONS WITH BOTH MEN.

7. ON THE SUBJECT OF LNG TANKERS, NAKAYAMA SAID HE HAD HEARD THAT PERTAMINA HAD ENTERED INTO A LETTER OF INTENT TO PURCHASE FOUR LNG TANKERS FROM BURMAH OIL BUT ADDED THAT MANY MORE TANKERS THAN THIS WOULD BE NEEDED FOR PROJECT. NAKAYAMA ALSO NOTED THAT JAPAN IS DOING ITS BEST TO DEVELOP LNG TANKER TECHNOLOGY BUT COULD NOT SUPPLY ALL OF THE TANKERS NEEDED FOR LNG PROJECTS CURRENTLY IN THE WORKS. IN OTHER WORDS, THIS MEANT THAT THERE WOULD BE PLENTY OF ROOM FOR BOTH JAPAN AND THE

CONFIDENTIAL

PAGE 04 TOKYO 11083 01 OF 02 291232Z

US TO SELL TANKERS IN CONNECTION WITH INDONESIAN PROJECT.

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 TOKYO 11083 02 OF 02 291244Z

43

ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

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P 291040Z AUG 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6354

INFO AMEMBASSY JAKARTA PRIORITY

C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 11083

8. IN CONCLUSION I STRESSED THAT I HOPED NAKAYAMA HAD BEEN LEFT WITH THE IMPRESSION THAT THE US WAS VERY CONCERNED THAT INDONESIAN GAS BE SHARED BETWEEN OUR TWO COUNTRIES AND THAT US WAS INTERESTED AND INVOLVED IN SELLING LNG TANKERS AND LNG PLANT FACILITIES TO INDONESIA. I ALSO SUGGESTED THAT IT MIGHT BE USEFUL FOR NAKAYAMA AND ME TO MEET AGAIN IN OCTOBER AFTER THE JAPANESE SURVEY MISSION COMPLETED ITS FINDINGS.

9. I BELIEVE SESSION WITH NAKAYAMA WENT VERY WELL AND THAT HE IS BEING CANDID IN HIS STATEMENTS THAT GOI WAS IN STATE OF DISARRAY OVER LNG NEGOTIATIONS WITH JAPAN AND US. HE IS KNOWN IN JAPANESE BUSINESS CIRCLES AS BEING PRO-AMERICAN AND HE SEEMED SINCERE IN PROPOSING THAT US AND JAPAN SIT DOWN TOGETHER, AFTER BASIC DATA ON RESERVES AND PRODUCTION POSSIBILITIES HAD BEEN PREPARED, TO DISCUSS ALLOCATION OF GAS. DESPITE THE FACT THAT NAKAYAMA'S COMMENTS DIFFER FROM WHAT WE CONCLUDED FROM CONVERSATIONS WITH OTHER SOURCES I WOULD PLACE CONSIDERABLE STORE IN WHAT HE SAYS. I FEEL SURE THAT NAKAYAMA WILL PASS ON OUR STRONG INTEREST AND CONCERN REGARDING THIS PROJECT TO CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 11083 02 OF 02 291244Z

PERSONS MOST INTIMATELY INVOLVED IN MAKING DECISIONS ON THIS PROJECT. AS THE COORDINATOR OF JAPANESE INTERESTS IN THIS PROJECT, AND AS CHAIRMAN OF MEETING OF BUSINESS LEADERS SCHEDULED TO TAKE PLACE IMMEDIATELY FOLLOWING OUR LUNCHEON, HE IS IN AN IDEAL POSITION TO DO THIS.

10. WITH THIS CONVERSATION, PLUS SEVERAL OTHERS WE

HAVE HAD WITH MITI AND FONOFF OFFICIALS AND BUSINESSMEN,
WE HAVE DONE ALL THAT CAN USEFULLY BE DONE AT THIS
POINT TO GET OUR MESSAGE ACROSS, REGARDING THE GAS,
THE TANKERS, AND LNG PLANT EQUIPMENT. NATURALLY, WE
WILL (#) CONTINUE
TO REMIND JAPANESE BUSINESSMEN AND GOVERNMENT OFFICIALS
OF IMPORTANCE WE ATTACH TO SHARING INDONESIAN NATURAL
GAS SUPPLIES. A KEY FACTOR IN ANY DECISION ON FUTURE
REPRESENTATIONS WILL BE RESULTS OF MEETING NAKAYAMA
CHAIRS MY AUGUST 29. WE WILL SEEK INFORMATION ON OUT-
COME THAT MEETING. IT MIGHT ALSO BE USEFUL FOR EMBASSY
JAKARTA TO EXPLORE APPARENT DIVISION IN THE GOI AND WAYS
OF RECONCILING THE DIFFERENCES WITHIN GOI.
INGERSOLL

NOTE BY OC/T: TOKYO 11083 (SEC 2 OF 2). (#)OMISSION IN PARA 10,
LINE 6. CORRECTION TO FOLLOW.

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